NOVA SCOTIA
GAMING
CORPORATION

ANNUAL REPORT *2002–2003*

Corporate Profile

The Nova Scotia Gaming Corporation (NSGC) is a Crown corporation governed by the provincial *Gaming Control Act*. It is responsible for ticket lottery, video lottery and casinos. Day-to-day operations of these businesses are carried out by NSGC's operators – Casino Nova Scotia and the Atlantic Lottery Corporation.

Mission

To provide entertaining and reliable gaming products in a responsible and regulated environment, optimizing the financial benefits to Nova Scotians.

Strategic Goals

1 Provide high quality gaming products, through its operators and other business partners, that are responsive to the needs and expectations of its customers.

2 Continue to identify and implement responsible gaming initiatives and to promote Nova Scotia as a leader in responsible gaming.

3 Meet revenue commitments to the province.

4 Be an efficient and effective business by managing resources well, leveraging business relationships and focusing on tangible results and outcomes.

5 Pursue new business opportunities that align well with its vision and other strategic goals.

6 Achieve greater public acceptance of gaming as an entertainment choice.

7 Develop and sustain a corporate culture that values entrepreneurship, professionalism and excellence and is committed to employing people who are motivated to fulfilling their independent and collective potential.

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Message from the President and CEO

Effective, Responsible Business

As 2002-03 came to a close, I read with interest, but not surprise, Statistics Canada's March 2003 fact sheet on gaming. There is no question that gaming represents a significant business in Canada. Since 1992, gaming has greatly outpaced other industries in relation to the growth of the gross national product. In 2002, direct employment from gaming across Canada totalled 42,000, without accounting for the indirect employment benefits that come with providing goods and services to such a vibrant industry.

In Nova Scotia, we have experienced similar growth since 1992. With the legalization of VLTs in 1991 and the introduction of casinos in 1995, this province's gaming industry has greatly expanded over the last 10 years. It has also matured in a number of ways. The popular lottery ticket is costing us more to sell. While many Nova Scotians buy lottery tickets on a regular basis, revenue growth has slowed and, for some products, has levelled off, while the costs of running a successful ticket lottery business have increased. Similarly, while the casino and video lottery businesses have certainly been profitable, we are starting to forecast much slower growth rates.

This is attributable to many factors, including competing entertainment products, lower discretionary funds within the family unit due to the higher cost of necessities such as gas and insurance, and the changing needs of some existing and potential players.

Our challenge is to meet this business reality head on. We need to continue to be creative and efficient in managing the gaming business. However, this business approach must reflect the full integration of responsible gaming into our operations. Continuing Nova Scotia's leadership in this area is as important to NSGC as providing fair and entertaining products and maximizing revenues.

Under the strategic direction of our Board of Directors, I think that the depth of our responsible gaming commitment became particularly evident over the last year. In April, NSGC hired a full-time manager solely dedicated to advancing Nova Scotia's Responsible Gaming Strategy that was developed in 2001-02. In October, after months of collaborative planning, Nova Scotia held Canada's first Responsible Gaming Awareness Week. And in November, we broadly distributed the results of groundbreaking research conducted to determine the effectiveness of responsible gaming features on this province's VLTs.

It appears that our forward-thinking perspective has resonated with others within the gaming industry and we have been asked to share our experiences in a number of ways. In 2002-03, we became a member of the Advisory Council responsible for setting up the first Responsible Gambling Council of Canada. We have also joined the steering committee for the inaugural Nova Scotia Gaming Foundation Problem Gambling Conference, an international affair slated to be held in Halifax in 2004. Lastly, we were invited to speak at a number of gaming conferences, ultimately presenting at four events including Discoveries 2002 and the Canadian Gaming Summit.

All of this exciting work presents quite a challenge for our staff. In 2002-03, the overall work in NSGC's office was evenly divided between business initiatives and responsible gaming initiatives. Again, this is the first time our commitment to responsible gaming has reached this magnitude.

Despite our internal realization and enthusiasm for this combination of efficient operations and broader social responsibility, not all of our efforts were well received by everyone. Many, including media – both mainstream and industry – have questioned the appropriateness and sincerity of NSGC's involvement in moving forward our responsible gaming agenda. However, we remain steadfast in advocating responsible use of our products. This is really a situation where actions speak louder than words. Where possible, we will emulate and buildon the success of others and, if necessary, we will advance by being the first to explore something new.

We do this because we feel that it is important to our shareholder, important to our operators, important to our retailers and players, and lastly, but certainly not the least, important to the people of Nova Scotia. Achieving this balance is integral to the long-term sustainability of Nova Scotia's gaming industry and is the responsible way to conduct business. And, considering the significance of gaming for this province and for the rest of Canada, as Statistics Canada's recent report reveals, effective and responsible industry practices should be at the forefront of today's approach to the business of gaming.

Marie Mullally,
President & CEO

Marie T. Mullally, CA
President & Chief Executive Officer

Balance is a strong suit for the Nova Scotia Gaming Corporation. Achieving a dynamic, realistic balance between responsible & entertaining gaming products is part of NSGC's core values. Gaming is an important part of our economy and, in 2002–03, more than $191 million was transferred to the government, 1,800 small businesses earned $58 million in commissions and over 1,200 people were directly employed.

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Nova Scotia

A Balanced Gaming Industry

In Nova Scotia, gaming stakeholders are working together to strike the right balance between promoting gaming, in recognition of its important contribution to the province's economy, with developing substantive responsible gaming programs. A collaborative effort is required to achieve this balance.

In this vein, the Nova Scotia Gaming Corporation (NSGC) has been garnering support and information from the grassroots level up. During the course of the last 12 months, NSGC has met with bar owners, non-profit representatives, operators, lottery ticket retailers and even players, some of whom were problem gamblers. NSGC has had monthly "lunch and learn" sessions, which helped employees better understand all aspects of gaming, from the important business concepts to the potential social consequences.

With each information exchange, it is clear that those who offer, legislate, regulate and manage gaming are all committed to the common goal of ensuring a publicly accepted model for gaming. And, with continued research, knowledge transfer, and a more global focus on responsible gaming, it is with confidence that gaming stakeholders in Nova Scotia are working to obtain a truly balanced industry.

This is important to Nova Scotians, the direct beneficiaries of gaming revenue. The majority support legalized gaming both for its entertainment and its economic value, but endorse appropriate restrictions and regulations. This year, more than $191 million was transferred to the government to fund programs and services. While that money is not earmarked for a specific program, it is important. To provide some context as to its importance, $191 million would translate into the salaries of 3,820 nurses or it would more than pay for the salaries of all teachers employed with the Halifax Regional School Board.

For the small businesses that help distribute and sell gaming products, the benefits are also significant, especially to the many of those who represent non-profit organizations. Over 1,800 retailers earned more than $58 million in commissions in 2002-03. In addition, the gaming industry employs more than 1,200 people directly, excluding those responsible for the regulation of the gaming business. Finally, many community events and non-profit groups were recipients of more than half a million dollars in sponsorship funding through our operators.

Nova Scotia is proud of the leadership role it has shown in establishing a balanced gaming industry. Throughout this course, there has been and will be both encouragement and resistance encountered. NSGC will continue along its purposeful path to provide enjoyable gaming products to consumers and ensure that there is information available and tools in place to help players game responsibly.

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Scotia Square Lottery Booth, Halifax, N.S.

Distribution of Nova Scotia Retailers

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Nova Scotia's Lottery Retailers

		Video Lottery	Ticket Lottery
1	Annapolis	9	35
2	Antigonish	8	25
3	Cape Breton	95	165
4	Colchester	26	76
5	Cumberland	26	62
6	Digby	15	45
7	Guysborough	9	18
8	Halifax	185	426
9	Hants	23	68
10	Inverness	18	38
11	Kings	28	88
12	Lunenburg	26	92
13	Pictou	25	58
14	Queens	7	24
15	Richmond	8	20
16	Shelburne	5	33
17	Victoria	5	17
18	Yarmouth	18	39
	Total	536	1,329

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15	Richmond	8	20
16	Shelburne	3	33
17	Victoria	3	17
18	Yarmouth	18	39

Leadership in responsible gaming is integral to NSGC. Five key initiatives in 2002 included the hiring of a full-time employee solely devoted to responsible gaming, organizing Canada's first Responsible Gaming Awareness Week, completing the installation of four responsible gaming features on all VLTs, evaluating these features' effectiveness and preparing a voluntary self-exclusion program to help those who want to stop playing VLTs.

Responsible Gaming

A Priority for Nova Scotia

Nova Scotia is committed to leading the way in responsible gaming. To that end, a comprehensive responsible gaming strategy was developed in 2001 and, in 2002, its implementation really began to progress.

There were five key initiatives undertaken in relation to responsible gaming. The first was the hiring of a full-time employee solely dedicated to advancing responsible gaming in Nova Scotia. Reporting directly to the Director, Operations, the Responsible Gaming Manager is fully integrated into the gaming business, which is key to offering a balanced gaming environment.

Nova Scotia organized Canada's first Responsible Gaming Awareness Week, which took place October 20-26, 2002. Its purpose was to raise awareness of the importance of using gaming products responsibly. The primary audiences were gaming industry employees, the general public through the media, and to a lesser extent, the players themselves. Feedback about the Week was positive and there was tangible evidence that it not only raised the level of awareness amongst key gaming stakeholders but it actually moved some problem gamblers to seek help through the Problem Gambling Help Line (1-888-347-8888).

While the Week was led by NSGC, it certainly wasn't an individual effort. A committee comprised of representatives from Casino Nova Scotia, Atlantic Lottery Corporation, video lottery and ticket lottery retailers, and the Office of Health Promotion worked collaboratively to organize this inaugural Week and a similar committee will work to make 2003's Week even more far-reaching.

Also during 2002-03, the VLT replacement plan was completed, meaning that all VLTs in Nova Scotia are now equipped with four responsible gaming features. These features are intended to provide the player with reality checks and breaks in play.

The fourth key initiative involved researching the effectiveness of these four features. The research results proved encouraging and provided solid direction for future responsible gaming features. In short, the pop-up reminders, in particular the one shown to players after 60 minutes, were effective in decreasing session length. Both the cash display and permanent clock were well received by players and helped some be better aware of the amount of time and money they spend playing VLTs. Only the mandatory cash-out did not appear to provide much value-added and, in fact, had a neutral impact on most players. As part of the research report, the consultant recommended changes that would improve these four features and many of those will be considered for implementation in 2003-04.

Finally, significant preparatory work was done in anticipation of introducing a VLT self-exclusion program in Nova Scotia. The program's premise will be to provide players who want to stop playing VLTs with an appropriate tool to assist in play cessation. The VLT self-exclusion program will be tested in a small number of licensed establishments in fall 2003.

These achievements over the last year have sparked some interest beyond the provincial border. For example, many provinces are following Nova Scotia's lead and have introduced similar responsible gaming features into their respective marketplaces. As well, there was great interest in the Responsible Gaming Awareness Week and information about the Week's objectives, activities and results has been free-flowing to other gaming jurisdictions across Canada as well as to other countries.

Perhaps the greatest indicator of Nova Scotia's leadership has been in the invitations to share NSGC's experience with others who have an interest in gaming. A NSGC representative spoke about responsible gaming activities in Nova Scotia at three national conferences and one international conference last year. All of the presentations were well attended and sparked some interesting questions and feedback. Already for 2003-04, NSGC is scheduled to speak at three international conferences. This sharing of ideas helps the gaming industry to achieve that ever-so-important balance.

RESPONSIBLE GAMING AWARENESS WEEK

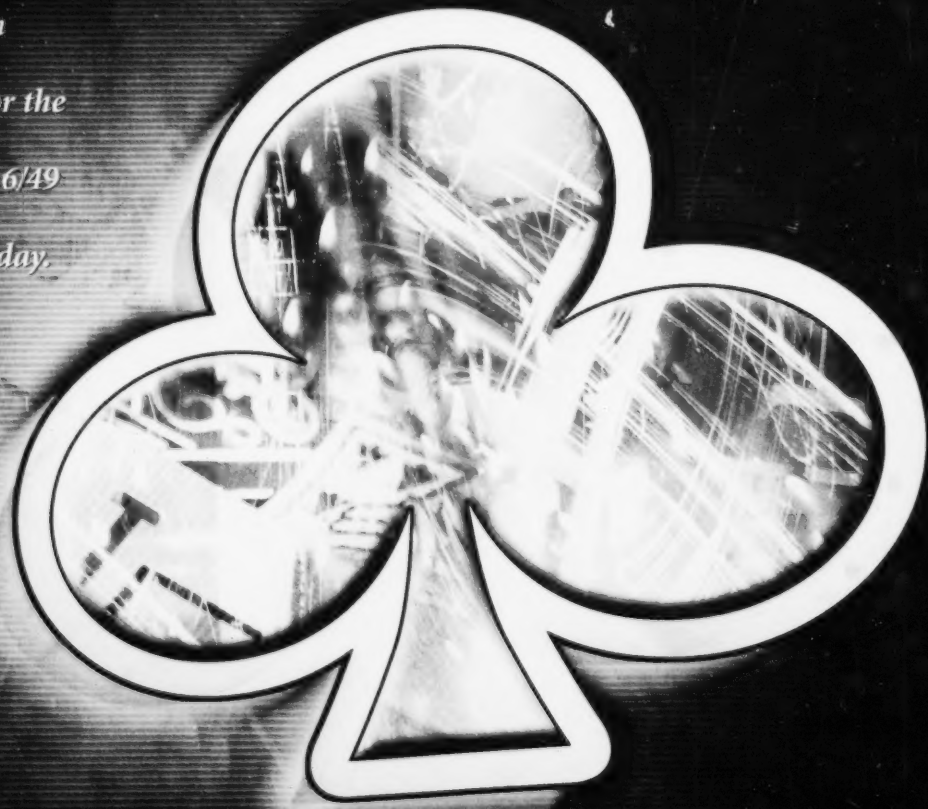
Canada's first provincial Responsible Gaming Awareness Week was held in Nova Scotia from October 20 – 26, 2002.

A Collaborative Effort

The Week was organized by a committee comprised of representatives from NSGC, Office of Health Promotion, Casino Nova Scotia, Atlantic Lottery Corperation and ticket and video lottery retailers.

KNOW YOUR LIMITS
Play Responsibly
Canada's first province-wide Responsible Gaming Awareness Week takes place in Nova Scotia from October 20-26, 2002. The week's focus is to educate people and heighten awareness about the importance of playing games of chance responsibly.
The week's overall theme, "Know Your Limits. Play Responsibly," reflects the strong belief of the gaming industry that while most people play for fun and make careful choices about how they spend their time and money while gaming, promoting responsible gaming is very important.
What is your gaming style?
Risky
• This is more than fun, it's thrilling!
• I've started risking money I should be using for other things.
• Gaming is becoming my main interest.
• I believe I'm lucky. If I stick with it, maybe I can win more than I lose.
• People who care about me are worried about the time and money I spend gaming.
• The people I play with all the time believe they're lucky too and say, "Just keep it up, you'll win."
High Risk Gaming
• I play only to win. It's not fun anymore!
• I risk money I can't afford to lose and always try to win it back.
• Gambling is my main interest; it's all I think about!
• I gamble because I know I can control the play.
• I've lost friends, family, social contacts and all of my savings because of my gambling.
• I don't care what anybody says, I'm going to keep on going, and I know I'm going to win.
SPONSIBLE GAMING WARENESS WEEK
ber 20-26, 2002
GAMING

The 190,000 members of the successful Casino Nova Scotia Players Club were only some of the many Nova Scotians and tourists entertained in a year of gaming firsts and milestones. In 2002–03, the Atlantic Lottery Corporation reached $1 billion in sales for the first time ever and the Lotto 6/49 ticket celebrated its 20th birthday.



Entertainment

More Ways to Enjoy

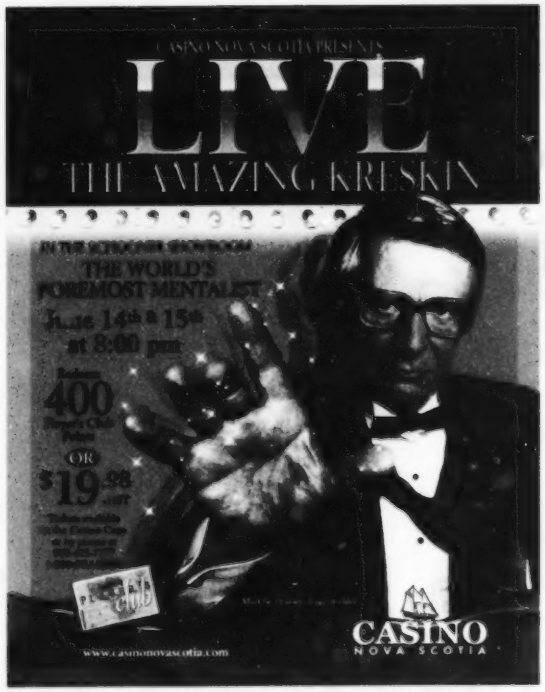
This year saw some important milestones for some of Nova Scotia's gaming products as well as a number of "firsts" with respect to marketing initiatives.

The Atlantic Lottery Corporation (ALC) reached the $1 billion mark for annual sales within the four Atlantic provinces on March 21, 2003. It was the first time such an annual sales number had been achieved since ALC's inception in 1976. This was truly a remarkable achievement, rendered even more notable when one considers that ALC is run by Atlantic Canadians for Atlantic Canadians. And, since 1976, a staggering $3.5 billion has been returned to players in the form of prizes, providing high entertainment value to customers.

Casino Nova Scotia also showed strong leadership in attracting people from outside the province to Halifax to experience its world-class facility. It has been particularly successful in securing "junkets" from Toronto and surrounding areas. A junket is a gaming term used to identify a group of premium players who visits a city specifically to game and enjoy the amenities casinos have to offer. Many high-class casinos vie for the business of these players and, in 2002, Casino Nova Scotia played first-time host to 13 such junkets.

The Halifax casino also offered visitors some exciting entertainment, with acts such as Dionne Warwick, Alannah Myles and Sass Jordan. More than 2,200 people enjoyed their performances. Other favourites such as The Great Kreskin and Martin Dubé also held centre stage in 2002-03.

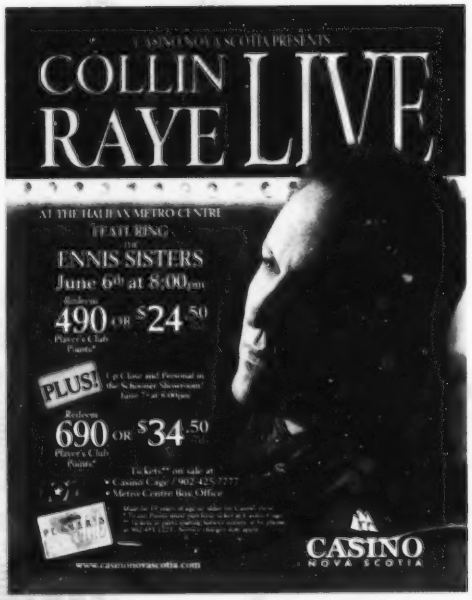
Casino Nova Scotia's Players Club performed well this year, and the Club now boasts a membership of over 190,000 people. This Club provides members with information about upcoming themes, entertainers and other special occasions. The valued member also receives coupons to redeem for free show tickets, meals, and an array of other benefits.



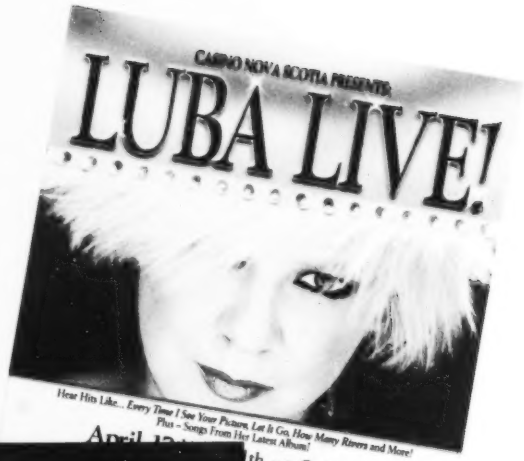
Some long-time favourites within the ticket lottery business performed unexpectedly well. In particular, the Super 7 jackpot broke three records last year with the highest jackpot being in excess of $37 million. A second national game – Lotto 6/49 – celebrated its 20th birthday, which involved a year full of special 6/49 celebrations.

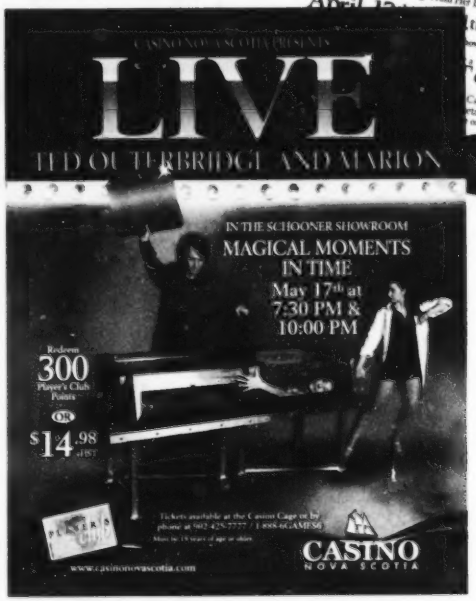
A new sports ticket game – Over/Under – introduced last summer has proven very popular and exceeded projected sales performance. Plans for another sports-based ticket are underway to build upon the success of Over/Under.

The third round of Set for Life, a lottery ticket game where top winners can win a weekly prize of $1,000 for 25 years, was launched to players last fall.


CASINO NOVA SCOTIA PRESENTS
COLLIN RAYE LIVE
AT THE HALIFAX METRO CENTRE
FEATURING
THE ENNIS SISTERS
June 6th at 8:00pm
Redeem 490 OR $24.50 Player's Club Points*
PLUS!
Up Close and Personal in the Schooner Showroom!
June 7th at 8:00pm
Redeem 690 OR $34.50 Player's Club Points*
Tickets** on sale at
• Casino Cage / 902 425-7777
• Metro Centre Box Office
CASINO
NOVA SCOTIA

Finally, Nova Scotia's VLT program received a facelift. All VLTs now offer greater entertainment by virtue of offering a broader selection of games that are more interactive in nature. NSGC intends to implement a game replacement strategy to provide continued game selection variety in 2003-04.


CASINO NOVA SCOTIA PRESENTS
LUBA LIVE!
Hear Hits Like... Every Time I See Your Picture, Let It Go, How Many Rivers and More!
Plus – Songs From Her Latest Album!
th at 8:00pm
OR $19.98 +HST
Casino Cage
rts by phone
or older
CASINO
NOVA SCOTIA


CASINO NOVA SCOTIA PRESENTS
LIVE
TED OUTERBRIDGE AND MARION
IN THE SCHOONER SHOWROOM
MAGICAL MOMENTS IN TIME
May 17th at 7:30 PM & 10:00 PM
Redeem 300 Player's Club Points
OR
$14.98 +HST
Tickets available at the Casino Cage or by phone at 902 425-7777 / 1 888 6GAMES6
CASINO
NOVA SCOTIA

Casino Nova Scotia

The Halifax casino also offered visitors some exciting entertainment, with acts such as Dionne Warwick and Collin Raye. Other favourites such as The Great Kreskin and Martin Dubé also held centre stage in 2002-03.

NEW • NOUVEAU
$4
Set for Life!
YOU COULD WIN
VOUS POURRIEZ GAGNER
A WEEK FOR
PAR SEMAINE PENDANT
YEARS!
ANS!
Keep this portion / Partie à conserver
Game • Jeu 1
YOUR DRAW NUMBER
VOTRE NUMERO DE TIRAGE
DRAW DATE MAY 29 2005
DATE DE TIRAGE le 29 mai 2005
Game • Jeu 2
Game • Jeu 3
Game • Jeu 4
Game • Jeu 5
Game • Jeu 6
COLLECT TO WIN
ONE OF A HUNDRED
$1,000 PRIZES
034537-12
9057
OVER
UNDER
How to play Over/Under :
1. Mark the number of games you wish to play (2 to 10).
2. Predict whether the total final score for each game desired will be over or under the projected total scores provided by the Atlantic Lottery Corporation.
3. Mark the amount you wish to wager.
* Outcomes are based on final results and include overtime and extra play. See the Over/Under Game List and the official rules and regulations provided by the Atlantic Lottery Corporation for further details.
Comment jouer Over/Under :
1. Indiquez le nombre de jeux désiré (choix de 2 à 10 matchs).
2. Prédisez, pour chaque jeu sélectionné, si le total des points du résultat final du jeu sera supérieur ou inférieur à la marque déterminée par la Société des loteries de l'Atlantique.
3. Indiquez le montant de la mise.
* Les issues sont déterminées en fonction des résultats finals et incluent les prolongations. Pour obtenir plus de renseignements, référez-vous à la liste des jeux Over/Under et aux règlements officiels de la Société des loteries de l'Atlantique.

Halifax Casino
In 2002, Casino Nova Scotia played first-time host to 13 junkets.

NSGC takes its responsibility to manage the gaming industry on behalf of Nova Scotians seriously. And in meeting this key commitment, employees work hard to provide effective, efficient management of resources and relationships to ensure tangible outcomes are achieved.

Effective Management

A Must for NSGC

With a slowing revenue growth rate across all of the lines of business, never has strong, efficient management been more important to ensuring that Nova Scotians are receiving maximum benefit from its gaming industry.

To put this in perspective, the growth rate for 2003-04 for both lottery tickets and casinos is projected to be flat or negative. There is only a 5% growth projected for video lottery, which is the lowest forecasted percentage increase since NSGC's inception in 1995.

To offset this decline in growth, NSGC and its operators incorporated a number of cost-saving and revenue-generating initiatives. For example, a VLT asset management program was implemented to get a better distribution of VLTs in the province, one that was based on supply and demand. Essentially, VLTs which were being under utilized were moved to places where there was more demand for the product. This allows for a much better return on investment and allows us to better respond to future market demand.

Throughout this process, non-profit retailers were offered compensation for having a VLT reallocated, either in the form of a revenue guarantee or a one-time payment. This was in recognition of their very important and, in many ways, unique contribution of these retailers to their communities. It's important to note that no retailer had all of its VLTs reallocated.

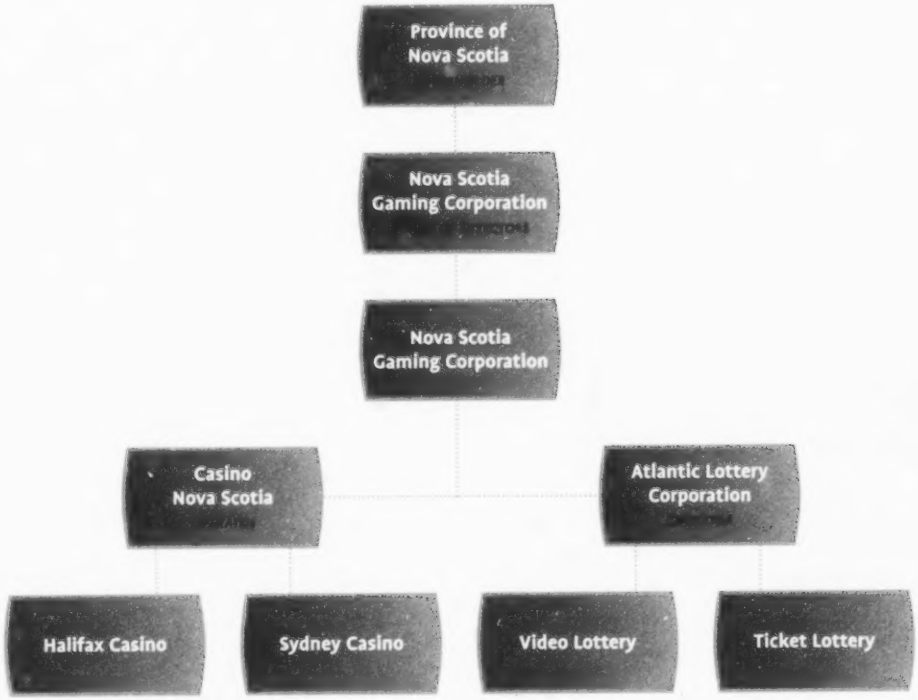
A second major efficiency initiative resulted in significant HST savings at Nova Scotia's two casinos, due to the exemplary work of both Casino Nova Scotia and NSGC. The federal tax laws require that NSGC pay double tax on the purchase of gaming goods and services. In Nova Scotia, this means that NSGC pays 30% on the base price of an item. For a number of years, it has been argued that double tax was being paid inappropriately on a number of things such as interest payments and non-gaming related items. In December 2002, the Canada Customs and Revenue Agency agreed and over $6 million was paid to NSGC as reimbursement for the over payment. This success will also mean continued savings on a go-forward basis.

Of course, effective management means achieving corporate and business-related priorities planned throughout the year. In NSGC's 2002-03 Business Plan, a number of priorities had been identified and subsequently accomplished during the year. Some key initiatives included:

- VLT Replacement Plan.
- Ticket lottery TAG game enhancement.
- Casino Players Club program development.
- VLT game replacement strategy.
- Employee responsible gaming orientation program for NSGC, ALC and CNS employees.
- Responsible Gaming Awareness Week.
- Responsible gaming features assessment.

As always, under Section 24(1)(e) of the *Gaming Control Act*, NSGC is required to report any defect, abuse, illegality or criminal activity regarding gaming. During 2002-03, NSGC reported a number of incidents to the Minister Responsible for Part I of the *Gaming Control Act* and the Nova Scotia Alcohol and Gaming Authority. The majority of incidents were routine in nature, such as equipment malfunctions that did not impact on player fairness. These were centrally monitored and immediately investigated by NSGC's operators. In addition, a few product irregularities were reported during the year. These primarily involved software glitches, which required manufacturer assistance in order to rectify the problem. These were investigated, corrected and, if necessary, preventative measures, such as removing games from the market, were implemented.

NSGC's Gaming Structure



(left to right)
Barry Robertson – Senior VP and General Manager, Casino Nova Scotia
Marie Mullally – President & CEO, NSGC
Sean O'Connor – Chair, NSGC Board
Michelle Carinci – President & CEO, Atlantic Lottery Corporation

Gaming Structure

In Nova Scotia, gaming is conducted and managed by NSGC and operated by Casino Nova Scotia and the Atlantic Lottery Corporation.

NSGC's Gaming Structure

Province of Nova Scotia
Shareholder

Nova Scotia Gaming Corporation
Board of Directors

Casino Nova Scotia
Operator

Atlantic Lottery Corporation
Operator

Halifax Casino | Sydney Casino | Video Lottery | Ticket Lottery

(left to right)
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Financial Highlights

Corporate

The Nova Scotia Gaming Corporation (NSGC) had a stellar year in 2002-03 with a payment to the Province of $191 million, compared to $178 million in 2001-02. Sales were strong in the first three quarters of the fiscal year. However, declines were experienced in all three business lines in the last quarter due to several factors, including increased competition with other entertainment products as well as lower discretionary funds within the family unit due to the higher cost of necessities such as gas and insurance. This drop in sales has continued into the 2003-04 fiscal year.

Casinos

The Halifax casino revenues remained stable at $72 million in 2002-03. However, the payment to the Province was $7 million higher than the previous year. This is due primarily to a reimbursement and savings realized due to an over payment of HST on products and services.

The Sydney casino payment to the Province for 2002-03 was $13 million, which is the same as the prior year.

Ticket Lottery

Revenue for ticket lottery was up from $204 million in 2001-02 to $212 million in 2002-03. Net income, however, was $45.0 million, $0.4 million lower than in 2001-02. This decrease in income was expected primarily due to higher lease expenses for new, state-of-the-art retailer terminals.

Video Lottery

Revenue for video lottery was $182.1 million, $20.4 million higher than the previous year due to the strong performance of the new and upgraded terminals with four responsible gaming features rolled out during the year as part of the VLT Replacement Plan. As a result, net income was $117.9 million, $6.3 million higher than 2001-02.

Financial Results by Business Line *($ millions)*

Profits/Payments to Province *

Business Line	02/03	01/02	00/01	99/00	98/99
Casino	$ 32.4	$ 25.3	$ 27.5	$ 32.3	$ 28.0
Ticket Lottery	$ 45.0	$ 46.0	$ 49.0	$ 48.9	$ 38.7
Video Lottery	$ 117.9	$ 111.6	$ 102.7	$ 96.1	$ 88.4

* Does not include responsible gaming and other expenses

Management Responsibilities for Financial Reporting

These financial statements are the responsibility of the management of the Nova Scotia Gaming Corporation. They have been approved by its Board of Directors.

Management has prepared the financial statements in accordance with generally accepted accounting principles in Canada. The financial information contained in the Annual Report is consistent with the data presented in the financial statements.

The gaming activities of the Nova Scotia Gaming Corporation are undertaken by operators acting on its behalf. These gaming activities are audited by independent auditors. The Corporation relies on the audit opinions of these independent auditors. The responsibility of the Auditor General of Nova Scotia is to express an independent opinion on whether the financial statements of the Nova Scotia Gaming Corporation are stated fairly, in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Nova Scotia Gaming Corporation maintains books of accounts and systems of financial and management control, which provide reasonable assurance that accurate financial information is available, that assets are protected, and that resources are managed efficiently.

The Board of Directors oversees audit activities through its audit committee. The committee reviews matters related to accounting, auditing and internal control systems, and the financial statements and audit reports of the auditors of the Corporation and its operators.

M. Mullally

Marie T. Mullally, CA
President and Chief Executive Officer

Dean Savoury

Dean Savoury, CMA
Corporate Controller (Acting)

Auditor's Report

Office of the Auditor General

NOVA SCOTIA

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Gaming Corporation as at March 31, 2003, the statement of income and payment to the Province, the statement of retained earnings and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E R Salmon

E.R. Salmon, FCA
Auditor General
Halifax, Nova Scotia
May 29, 2003

Balance Sheet

As at March 31, 2003 (in thousands)

Assets	2003	2002
Current		
Cash & short-term investments (*Note 3*)	$ 19,042	$ 15,836
Cash – restricted (*Note 2*)	6,704	9,605
Inventory, at cost	3,087	2,448
Prepaids	404	253
	29,237	28,142
Long-term		
Cash – Casino Replacement Reserve (*Notes 3 and 9*)	5,746	5,721
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation (*Note 6*)	1	1
Capital assets (*Note 7*)	138,092	126,772
	143,840	132,495
	$173,077	$160,637
Liabilities		
Current		
Accounts payable	$ 2,226	$ 781
Deferred lottery revenue	928	745
Liabilities for unclaimed prizes (*Note 2*)	6,704	9,605
Capital obligation – current portion (*Note 8*)	32,849	31,491
Due to operators (*Note 12*)	14,105	8,970
Due to Atlantic Gaming Equipment Limited – current portion	13,539	7,398
Due to Nova Scotia Gaming Foundation	74	76
Due to Province of Nova Scotia	18,570	13,953
	88,995	73,019
Long-term		
Due to Atlantic Gaming Equipment Limited	32,340	21,448
Capital obligation (*Note 8*)	43,561	58,648
	75,901	80,096
	164,896	153,115
Equity		
Casino Capital Replacement Reserve (*Note 9*)	8,181	7,522
	$173,077	$160,637

Contingencies and Commitments (*Notes 3, 5, 11 and 13*)
Approved on behalf of the Board,

C. Sean O'Connor, CA
Chair

See accompanying notes to the financial statements

Statement of Income and Payment to the Province

For the Year Ended March 31, 2003 (in thousands)

	2003	2002
Revenue		**(Note 14)**
Ticket lottery (Schedule I)	$212,259	$204,421
Video lottery (Schedule I)	182,104	161,686
Halifax casino (Schedule II)	71,633	71,452
Sydney casino (Schedule III)	28,253	30,565
Other (Schedule IV)	653	817
	494,902	468,941
Expenses		
Ticket lottery (Schedule I)	167,258	158,375
Video lottery (Schedule I)	64,178	50,074
Halifax casino (Schedule II)	64,959	71,905
Sydney casino (Schedule III)	20,624	23,459
Responsible gaming	2,248	1,964
Other (Schedule IV)	2,653	3,792
	321,920	309,569
Net income	172,982	159,372
Win tax	18,077	18,663
Payment to Province	**$191,059**	**$178,035**

Statement of Retained Earnings

For the Year Ended March 31, 2003 (in thousands)

	2003	2002
Retained earnings, beginning of year	**$ —**	**$ —**
Net income	**172,982**	**159,372**
Net income paid to Province	**(172,982)**	**(159,372)**
Retained earnings, end of year	**$ —**	**$ —**

See accompanying notes to the financial statements

Statement of Cash Flows

For the Year Ended March 31, 2003 (in thousands)

	2003	2002
Operating		
Net income	$ 172,982	$ 159,372
Allocation of income to Province	(172,982)	(159,372)
Depreciation and amortization	7,407	8,007
Net changes in short-term assets and liabilities (*Note 16*)	10,588	(1,542)
	17,995	6,465
Financing		
Increase in obligation to Atlantic Gaming Equipment Limited	17,033	16,728
Reduction of capital obligation	(13,729)	(4,808)
	3,304	11,920
Investing		
Purchase of fixed assets, net additions	(18,727)	(20,086)
Increase in Casino Capital Replacement Reserve, net of cash Increase	634	414
	(18,093)	(19,672)
Net increase (decrease) in cash and cash equivalents	3,206	(1,287)
Cash, beginning of year	15,836	17,123
Cash, end of year	**$ 19,042**	**$ 15,836**

Statement of Cash Flows

For the Year Ended March 31, 2003 (in thousands)

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Cash, beginning of year	15,836	17,123
Cash, end of year	**$ 19,042**	**$ 15,836**

Notes to the Financial Statements

For the Year Ended March 31, 2003 (in thousands)

1 | Description of Business

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

2 | Accounting Policies

a) Basis of Presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Casino Revenues

In accordance with industry practice, casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots.

c) Ticket Lottery Revenues

In accordance with industry practice, gross ticket lottery sales are recorded before deducting sales discounts and prize expense.

d) Video Lottery Revenues

In accordance with industry practice, video lottery revenues are reported as the net revenues from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings.

e) Income Guarantee

In accordance with the Operating Contract between Metropolitan Entertainment Group (Operator), the Corporation and Sheraton International Inc. (Guarantor), an income guarantee was provided to the Corporation which provided that if Total Provincial Revenue was less than $25 million in each of the four years ended July 31, 1999, then the Operator would pay to the Corporation an amount equal to the difference between Total Provincial Revenue and $25 million.

If Total Provincial Revenue exceeded $25 million in any year through to July 31, 2000, any previous guarantee payments paid by the Operator to the Corporation would be recovered to the extent Total Provincial Revenue was in excess of $25 million in such year. The Corporation records any repayments to the Operator as a reduction of net income of the Corporation. (Note 3)

f) Capital Assets

Capital Assets are stated at cost less accumulated amortization. Amortization of the Corporation's head office capital assets is provided on the declining balance basis at the following annual rates:

- Computer equipment 30%
- Furniture and equipment 20%

Amortization of the Halifax and Sydney casino assets is recorded on a straight-line basis according to their estimated useful lives at rates between 2.5% and 20%.

Amortization on the Corporation's capital assets used in the operation of its lottery businesses is recorded on the straight-line basis according to their estimated useful lives at rates between 10% and 33%. Leasehold improvements are amortized over the remaining lease term, including one renewal period.

Notes to the Financial Statements

For the Year Ended March 31, 2003 (in thousands)

g) Nova Scotia Gaming Foundation Contribution

VLT retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

h) Long-term Investments

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

i) Unclaimed Lottery Prizes

Unclaimed prizes from regional lottery games are retained in a prize fund for one year from the announced beginning date of the draw. Prizes of national lottery games are funded directly by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

j) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3 | Casino Nova Scotia

a) Operating Contract

i Term and Structure

On May 31, 1995, the Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Operator), then a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015.

ii Payments to Operator

The Operator is entitled to certain payments from each casino, calculated with reference to the following items, which are listed in Section 4.7 of the Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax ($91.6 million total, $69.3 million outstanding) and Sydney ($23.2 million total, $5.4 million outstanding) with respect to each casino complex, to be amortized straight-line over a ten-year term in the Sydney casino and a seven-year term in the Halifax casino, with interest calculated monthly at 12% per annum on the total outstanding capital investment;

- an amount equal to 1.5% of casino revenue before casino win taxes (20%) to fund a capital replacement r serve;

- an amount equal to 3% of casino revenue before casino win taxes (20%) in Sydney as a Base Fee and 10% of casino revenue less casino win taxes, the Base Fee and Operating Expenses as an Incentive Fee;

Notes to the Financial Statements

For the Year Ended March 31, 2003 (in thousands)

- an amount equal to the Operator's shortfall in any one year that income is insufficient to make payments, as described above; and,

- an amount equal to 35% of cash available for distribution in Halifax.

iii Operating Period

Net operating income earned by the Corporation is calculated based upon the operating period defined in the Operating Contract as January 1 – December 31. Any net operating income earned by the Corporation during the period January 1 – March 31, 2003 is subject to adjustment for the results of operations in the period April 1 – December 31, 2003.

b) Cash in Casino Accounts

Under the Operating Contract, the cash is managed by the Operator on behalf of the Corporation. The Corporation has included $12,577,000 (2002 – $10,003,000) in cash from the Casino Accounts on the Balance Sheet.

c) Income Guarantee

The income guarantee and clawback periods were over on July 31, 2000. Between April 1, 2000 and July 31, 2000, Total Provincial Revenue exceeded the income guarantee pro-rata allocation by $700,000, which reduced the Corporation's net operating income for the 2000-01 year (Note 2).

In 2002-03, the Corporation received $1,069,000 (2001-02 - $849,000) in HST savings related to the income guarantee and clawback periods, which was repaid to the Operator.

d) Casino Option Contract

Upon expiration of the Operating Contract in 2015, the Corporation has the option to purchase each of the Halifax and the Sydney casino complexes, including capital assets and working capital totalling $3.1 million for the price of $1.00. The Corporation also has an option to purchase each of the two casino complexes in year 10 or year 15 of the Contract.

e) Capital Replacement Reserve

A capital replacement reserve, based on 1.5% of annual gross operating revenues of the casinos, is intended to provide for replacement of casino capital assets.

f) Recovery of HST

Casino Nova Scotia engaged a consultant to review the HST Regulations applicable to casino operations and determine whether there are potential HST savings. As a result of the review, the Corporation received recovery of HST of $6.7 million (2001-02 – $0.3 million), which is net of HST on the equity repayment, fees and repayment to the operator for rebates related to the income guarantee and clawback periods.

a) Profit Distribution

In 1976, the Atlantic Lottery Corporation Inc. was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region.

The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia. Each of the Corporation, Province of Newfoundland, Lotteries Commission of New Brunswick and Prince Edward

Notes to the Financial Statements

For the Year Ended March 31, 2003 (in thousands)

Island Lotteries Commission own 25 per cent of the Atlantic Lottery Corporation Inc.

b) Agency Agreement

The Corporation entered into an Agency Agreement (the "Agreement") with the Atlantic Lottery Corporation Inc. whereby the Corporation has appointed the Atlantic Lottery Corporation Inc. to operate ticket and video lotteries in Nova Scotia as an agent of the Corporation on the terms and conditions set out in the Agreement. Under the Agreement, the Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation. The Agreement has not yet been signed; however, it has been implemented operationally since April 1, 2000. Management does not believe that there will be any significant changes to the financial statements as a result of signing the Agreement.

The Agreement requires that the Corporation's revenues be kept in a separate account and not co-mingled with those of the other provinces. The Corporation's costs are to be deducted from its account. The Agreement clarified that assets acquired or liabilities incurred by the Atlantic Lottery Corporation Inc. exclusively for the operation of the lotteries in Nova Scotia are the Corporation's. As a result, for financial statement reporting purposes, the Corporation has included these assets and liabilities on its balance sheet, with the balance recorded as amounts due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited (a subsidiary of the Atlantic Lottery Corporation Inc.), as appropriate. The Corporation has not recorded any portion of those assets and liabilities that are shared by all Atlantic Lottery Corporation Inc. shareholders in which the Corporation has an interest, the treatment and valuation of which has not yet been determined. This includes common capital assets and expired prizes in the unclaimed prize fund pre-April 1, 2000.

The amounts due to the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited represent a portion of the Atlantic Lottery Corporation Inc.'s line of credit, which bears interest at prime less 1% on borrowings equal to funds on deposit and prime for amounts borrowed in excess of funds on deposit and bank term loans. These loans have various terms and interest rates from 4.56% to 5.64% maturing at various dates through November 2007. The line of credit is secured by a general security agreement over all assets of the Atlantic Lottery Corporation Inc., and those owned by the Corporation. The bank term loans are secured by a general security agreement over present and future assets held by the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited and an indenture of subordination from the Corporation up to the value of assets utilized directly for the benefit of Nova Scotia. The assets and liabilities recorded by the Corporation are recorded for financial statement reporting purposes only and do not necessarily represent the values that the Corporation would take if it were to withdraw from the Atlantic Lottery Corporation Inc.

Notes to the Financial Statements

For the Year Ended March 31, 2003 (in thousands)

5 | Special Payments and Bonus Commissions

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

($ thousands)	2003	2002
The Department of Tourism and Culture *(in support of the Cultural Federation of Nova Scotia)*	$ 50	$ 50
The Department of Agriculture and Fisheries *(in support of the Exhibition Association of Nova Scotia)*	50	50
The Sport and Recreation Commission *(in support of Sport Nova Scotia)*	100	100
	$200	$200

These payments are special funds under the *Provincial Finance Act* established by the Minister of Finance under Section 14(1) of the *Atlantic Lottery Regulations* as made under the *Gaming Control Act.*

Bonus commissions of $5,000 (2002 - $9,000) were paid during the year to ten sporting and cultural organizations.

6 | Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the *Canada Business Corporations Act.* The Interprovincial Lottery Corporation owns and operates nation-wide lottery games (Lotto 6/49, Super 7, Special Event – Celebration). Nova Scotia holds one of ten shares of this Corporation, and appoints one of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation.

7 | Capital Assets

($ thousands)	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Automotive	$ 1,100	$ 355	$ 745	$ 629
Computer equipment	4,014	1,413	2,601	2,771
Furniture and equipment	138	67	71	74
Computer software	38	6	32	—
Retail equipment	250	33	217	—
Leaseholds	610	256	354	396
Halifax casino assets	91,637	14,554	77,083	82,527
Sydney casino assets	23,206	10,975	12,231	12,889
Casino furniture and equipment	5,211	2,776	2,435	1,801
On-line gaming terminals	10,927	4,499	6,428	8,659
Video lottery terminals	49,377	13,481	35,896	17,026
	$186,508	**$48,415**	**$138,093**	**$126,772**

In 2002-03, the Corporation acquired capital assets of $26.8 million (2002 - $20.9 million) financed through Atlantic Gaming Equipment Limited, $0.4 million (2002 - $2.1 million) financed by Metropolitan Entertainment Group, and $1.6 million (2002 - $1.1 million) financed by the Casino Capital Replacement Reserve.

Notes to the Financial Statements

For the Year Ended March 31, 2003 (in thousands)

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Notes to the Financial Statements

For the Year Ended March 31, 2003 (in thousands)

8 | Capital Obligation

The Corporation has an obligation under the Operating Contract to repay the operator of the casinos for the initial cost of the Halifax and Sydney casinos to the extent that there is adequate cash flow from the casinos to fund these obligations. The Corporation has the option to purchase these casinos. Future minimum obligations based on there being adequate cash flow are as follows:

(\$ thousands)	Halifax	Sydney	Total
2004	\$ 36,238	\$ 2,843	\$ 39,081
2005	17,258	2,564	19,822
2006	15,684	793	16,477
2007	14,109	—	14,109
Subsequent	1,104	—	1,104
Net minimum obligation	84,393	6,200	90,593
Less: amount representing interest at 12%	13,398	785	14,183
Present value of minimum obligation	70,995	5,415	76,410
Less: amount due within one year	30,529	2,321	32,850
Balance of obligation	\$ 40,466	\$ 3,094	\$ 43,560

9 | Capital Replacement Reserve Liability

(\$ thousands)	Halifax	Sydney	Total 2003	Total 2002
Cash balance, beginning of year	\$ 4,416	\$ 1,305	\$ 5,721	\$ 5,080
Funding	1,075	424	1,499	1,331
Interest	105	32	137	185
Capital Asset purchases	(1,210)	(401)	(1,611)	(1,075)
Cash balance, end of year	4,386	1,360	5,746	5,721
Add: cumulative capital asset purchases	3,063	2,148	5,211	3,680
Less: accumulated amortization	(1,628)	(1,148)	(2,776)	(1,799)
Balance, end of year	\$ 5,821	\$ 2,360	\$ 8,181	\$ 7,522

10 | Related Party Transactions

The Province of Nova Scotia, Nova Scotia Harness Racing Incorporated, Atlantic Gaming Equipment Limited and the Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transactions between these related parties are separately disclosed in the financial statements.

11 | Harness Racing

The Corporation annually contributes to the Nova Scotia Harness Racing Fund amounts approved by the Minister of Finance. In March 2002, Government approved a contribution of \$750,000 in 2002-03 to support the harness racing industry in Nova Scotia.

In March 2003, Government approved a \$750,000 contribution in 2003-04 to support the harness racing industry in Nova Scotia.

Notes to the Financial Statements

For the Year Ended March 31, 2003 (in thousands)

12 | Due to Operators

	2003	2002
($ thousands)		
Due to Atlantic Lottery Corporation Inc.	$ 5,724	$ 60
Due from lottery operations	(8,259)	(6,315)
Due to lottery operations	5,460	6,341
Due to casino operations	11,180	9,084
	$ 14,105	**$ 8,970**

13 | Other Commitments

The Corporation is required to make annual lease payments of approximately $104,000 over the next three years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately $790,000 over the next four years.

14 | Comparative Figures

Some of the comparative figures have been reclassified to conform to the financial statement presentation adopted in this fiscal year.

15 | Pensions

All permanent employees of the Corporation are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Corporation's management expenses. The Corporation is not responsible for any unfunded liability with respect to the superannuation fund.

16 | Supplemental Cash Flow Information

	2003	2002
Net changes in short-term assets and liabilities		
($ thousands)		
Inventory	$ (639)	$ 52
Prepaids	(151)	(2)
Accounts payable	1,445	(517)
Deferred lottery revenue	183	(178)
Due to operators	5,135	(1,152)
Payable to Nova Scotia Gaming Foundation	(2)	8
Due to Province of Nova Scotia	4,617	247
	$ 10,588	**$ (1,542)**

17 | Fair Value of Financial Assets and Financial Liabilities

The fair value of the Corporation's cash, accounts payable, deferred lottery revenue, liabilities for unclaimed prizes, due to operators, due to the Nova Scotia Gaming Foundation and due to the Province of Nova Scotia approximates their carrying amounts.

It is not practicable to estimate the fair value for capital obligation as repayment can only be made to the extent there is adequate cash flow from the casinos.

The fair value of the Corporation's due to Atlantic Gaming Equipment Limited at March 31, 2003 was $40.3 million compared to a carrying value of $45.9 million. Fair value has been calculated using the future cash flows (principal and interest) of the actual outstanding debt instruments discounted at current market rates available to the Corporation for the same or similar instruments.

Nova Scotia Gaming Corporation

Atlantic Lottery Corporation Inc. Ticket Lottery and Video Lottery Operating Results
For the Year Ended March 31, 2003 (in thousands)

SCHEDULE I	Ticket Lottery	Video Lottery	Total 2003	Total 2002
Ticket lottery sales	$212,259	$ —	$212,259	$204,421
Ticket lottery sales discounts	324	—	324	297
Prize expense	113,968	—	113,968	106,637
Net ticket lottery sales	97,967	—	97,967	97,487
Net video lottery sales	—	182,104	182,104	161,686
Total net sales	97,967	182,104	280,071	259,173
Retailer commissions	13,558	39,299	52,857	47,959
Ticket costs	5,764	881	6,645	5,663
	19,322	40,180	59,502	53,622
Gross profit	78,645	141,924	220,569	205,551
Operating expenses				
Advertising and promotion	3,631	180	3,811	3,711
Communication	117	89	206	448
Depreciation and amortization	591	310	901	1,382
Development and recruitment	476	215	691	471
Equipment and maintenance	886	781	1,667	1,925
General and professional services	643	304	947	1,793
Lease expense	3,312	7,770	11,082	4,597
Movement and storage	440	110	550	587
Occupancy cost	746	563	1,309	1,309
Other	182	117	299	266
Research and development	311	50	361	464
Salaries and benefits	7,064	4,325	11,389	9,973
Supplies	136	86	222	324
Telecommunication	2,380	247	2,627	2,468
Travel and vehicle expenses	915	587	1,502	1,375
Total operating expenses	21,830	15,734	37,564	31,093
Operating profit	56,815	126,190	183,005	174,458
Other income (expenses)	(373)	(87)	(460)	961
Profit before other distributions	56,442	126,103	182,545	175,419
HST expense	5,308	7,504	12,812	11,315
Federal contribution	934	673	1,607	1,556
Charity non-profit	39	—	39	44
Retailer bonus	5,160	—	5,160	4,846
Net profit	**$ 45,001**	**$ 117,926**	**$ 162,927**	**$ 157,658**

Nova Scotia Gaming Corporation

Halifax Casino Nova Scotia Operating Results For the Year Ended March 31, 2003 (in thousands)

SCHEDULE II

	2003	2002
Revenue		
Casino revenue	$64,129	$64,531
Beverage, food and other revenue	7,504	6,921
	71,633	71,452
Expenses		
Amortization	5,825	5,772
Capital Replacement Reserve (*Note 3*)	1,075	1,072
General administration and marketing	9,366	8,153
Harmonized Sales Tax	5,191	6,773
Recovery of HST (*Note 3*)	(5,631)	(289)
Interest	8,176	9,664
Other expenses including cost of beverage and food	4,548	5,322
Premise expense	3,008	2,737
Salaries and benefits	20,575	19,795
Win tax	12,826	12,906
	64,959	71,905
Net income	6,674	(453)
Win tax	12,826	12,906
Total payment to Province	**$19,500**	**$12,453**

Nova Scotia Gaming Corporation

Sydney Casino Nova Scotia Operating Results For the Year Ended March 31, 2003 (in thousands)

SCHEDULE III

	2003	2002
Revenue		
Casino revenue	$26,255	$28,787
Beverage, food and other revenue	1,998	1,778
	28,253	30,565
Expenses		
Amortization	658	826
Capital Replacement Reserve (*Note 3*)	424	459
General administration and marketing	2,405	2,216
Harmonized Sales Tax	1,794	2,286
Recovery of HST (*Note 3*)	(1,085)	—
Interest	801	1,079
Operator fee (*Note 3*)	1,621	1,989
Other expenses including cost of beverage and food	1,336	1,654
Premise expense	703	543
Salaries and benefits	6,716	6,650
Win tax	5,251	5,757
	20,624	23,459
Net income	7,629	7,106
Win tax	5,251	5,757
Total payment to Province	**$12,880**	**$12,863**

Nova Scotia Gaming Corporation

Other Revenues and Expenses For the Year Ended March 31, 2003 (in thousands)

SCHEDULE IV

	2003	2002
Other Revenue		
Payment from New Brunswick	$ 393	$ 500
Interest income	260	317
Total other revenues	**653**	817
Other expenses		
Special payments and bonus commissions (*Note 5*)	**205**	209
Nova Scotia Harness Racing Fund contribution (*Note 11*)	**750**	1,000
Management expenses		
Advertising	3	1
Amortization	23	27
Directors fees	52	44
Harmonized Sales Tax	103	144
Membership dues	11	7
Occupancy taxes	5	5
Office and miscellaneous	35	41
Office equipment	14	17
Periodicals	15	8
Postage and freight	8	7
Printing and stationery	12	13
Professional and other fees	73	650
Rent	120	98
Salaries and benefits	1,129	1,431
Telecommunications	16	21
Training	38	26
Travel	41	43
	1,698	2,583
Total other expenses	**2,653**	3,792
	$ (2,000)	$ (2,975)

Nova Scotia Gaming Corporation

Board of Directors

Chair

C. Sean O'Connor, CA
Vice President, Business Development
Municipal Group of Companies
Bedford, Nova Scotia

Director

Peter Fardy
Vice President, Corporate
Development
xwave Solutions Inc.
Halifax, Nova Scotia

Director

John Khattar
Barrister & Solicitor
John G. Khattar Law Office
Sydney, Nova Scotia

Director

Stephen Mont
Partner
Weldon McInnis
Barristers & Solicitors
Dartmouth, Nova Scotia

Director

Charles F. Cox
Barrister & Solicitor
C.F. Cox Law Office
Truro, Nova Scotia

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